

## **Decision Problem & Background**

How should Twitter respond to Elon Musk's offer to buy the company?

Twitter went public in late 2013 and has struggled to find the success that other social media platforms have. The amount of users is a fraction of those of Facebook, Instagram, and even TikTok and their profits have been relatively low. Elon Musk offered to buy the company claiming he would loosen the restrictions on content users could post to promote free speech and change the revenue model to include subscriptions.

## **Decision Maker**

Twitter's board of directors

## **Alternatives**

- Reject the takeover bid and employ a poison pill to resist hostile takeover – if Musk were to obtain more than 15% of the company, Twitter would issue new stock at a discount that would dilute Musk's share and make it a lot more expensive for him to buy the platform
- Sell to someone else – Thoma Bravo has expressed interest in making a bid which would be a friendlier arrangement than with Musk. Thoma Bravo's goal in acquisitions is "to partner with and support existing management teams to help deliver solid operating results and drive innovation".
- Allow Musk to buy – He has offered the company \$43 billion cash to purchase the company and make it privately owned

## **Strategic Objectives**

- Inclusivity – give everyone the power to create and share ideas and information. As long as the rules are followed, you are able to freely express yourself however you like.
- Transparency – Twitter discloses what data is collected, how it is used, when it is shared, and what is done to protect it. They have claimed in social they are not perfect and listen to feedback from users.
- Security – Twitter protect information users share, monitors and disciplines accounts with bad intentions, and provide meaningful privacy controls for users to control their interactions.
- Healthy interaction – minimize the distribution and reach of harmful information. Twitter has said "Freedom of speech is a fundamental human right – but freedom to have that speech amplified by Twitter is not." They have rules to promote healthy conversations and have suspended or banned accounts for not following those rules.
- Credibility – earning public trust. Twitter tries to identify and tag misleading information and fake accounts.

## **Control Criteria and Decision Factors**

Benefits:

*Resources*

- CEO assets – Elon Musk has a higher net worth than Jack Dorsey, has Tesla, and an extensive network.
- Access to capital - If private can't rely on selling stocks or bonds on the public market in order to raise cash to fund its growth

#### *Jurisdiction*

- Control – still own the company. May allow inefficient management to remain in charge. Private company doesn't have fiduciary responsibility to stakeholders but sole control by one man
- SEC scrutiny – disclosure for private companies not regulated by SEC

#### Opportunities:

##### *Efficiency*

- Speed of growth – quickly acquire resources and competencies not held by company when acquired
- Board salary – Board salary will be \$0 if Musk's bid succeeds, so ~\$3M/year saved

##### *Financial*

- Negotiation power – poison pill slows down the acquisition process and forces negotiation
- Revenues – possibly increase with change to subscription model. Returns may not benefit stakeholders to the extent anticipated, any expected cost savings may never materialize.

#### Costs:

##### *Financial*

- Premium on stock - investors are often paid a premium for their stock when company is purchased. The use of a poison pill may deprive investors of potentially hefty profits.
- Board turnover – money to find and retain board members after salary decreases to \$0

#### Risks:

##### *Financial*

- Stock price – poison pill: purchasing shares at discounted rate adversely impacts the value of existing shares and investors are forced to purchase new shares in order to maintain their prior ownership percentage. If Elon's bid is not accepted he stated he "may need to reconsider his position as a shareholder," his sale of his 9% ownership would cause the share price to collapse
- Goodwill – reduced due to hostile takeover
- Stock compensation/incentives – private company may not be able to use them to attract top talent also can't use stock to buy other companies

##### *Stakeholders*

- Customer base – change in management may cause some users to leave

- Employees – firing loss of talent and disruption of culture

### **Strategic Objectives Pairwise Comparisons**

Credibility	0.08368687
Healthy Interacti	0.44951297
Inclusivity	0.2112094
Security	0.07478253
Transparency	0.18080823

Based on Twitter's public announcements, company values, actions, and other information related to the company. I entered judgements that produced the above ranking of the strategic objectives that I believe reflects the decision maker's opinion.

### **BOCR Perspectives**

Based on the judgements entered for each perspective (BOCR) and their respective weights, the following show the best alternative in terms of benefits, opportunities, costs, and risks separately.

Benefits		Jurisdiction	Resources	
		0.75	0.25	Overall
Accept Offer		0.50885	0.44645	0.491669
Reject Offer		0.10177	0.24027	0.139903
Sell to Other		0.38938	0.31328	0.368428
Opportunities		Economic	Efficiency	
		0.66666667	0.33333333	Overall
Accept Offer		0.31743	0.65451	0.394435
Reject Offer		0.38759	0.11337	0.324948
Sell to Other		0.29498	0.23212	0.280617
Costs		Economic		
			1	Overall
Accept Offer		0.35708		0.357084
Reject Offer		0.43686		0.436862
Sell to Other		0.20605		0.206054
Risks		Economic	Stakeholders	
		0.83333333	0.16666667	Overall
Accept Offer		0.67296	0.60580	0.660754
Reject Offer		0.12474	0.13822	0.127187
Sell to Other		0.20230	0.25598	0.212059

## Ratings

The accept offer alternative had the highest value in benefits, opportunities, and risks. Both of the costs listed above would be a result of accepting the offer, so I used the accept alternative as the basis for rating all of the items. The rating was therefore the same for all four and looked like the one below, as well as all having a priority of 0.25.

Credibility (0.0837)	Healthy Interac... (0.4495)	Inclusivity (0.2112)	Security (0.0748)	Transparency (0.1808)
Below Average ▾	Poor	Excellent	Above Average	Poor

## Overall Results

Using the multiplicative formula, the alternative rankings for the short-term are:

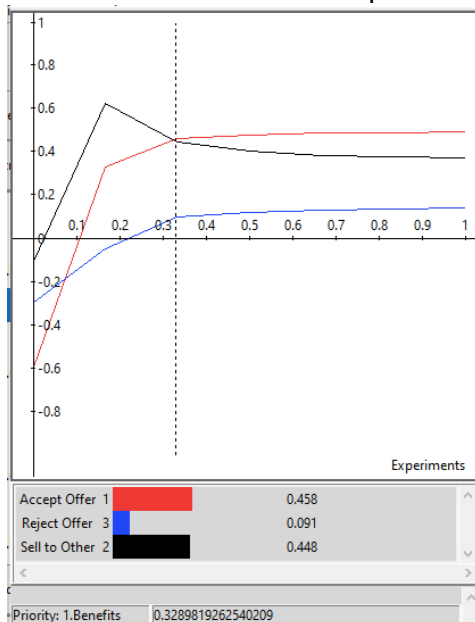
Name	Normals
Accept Offer	0.205166
Reject Offer	0.204231
Sell to Other	0.590603

Using the additive (negative) formula, the alternative rankings for the long-term are:

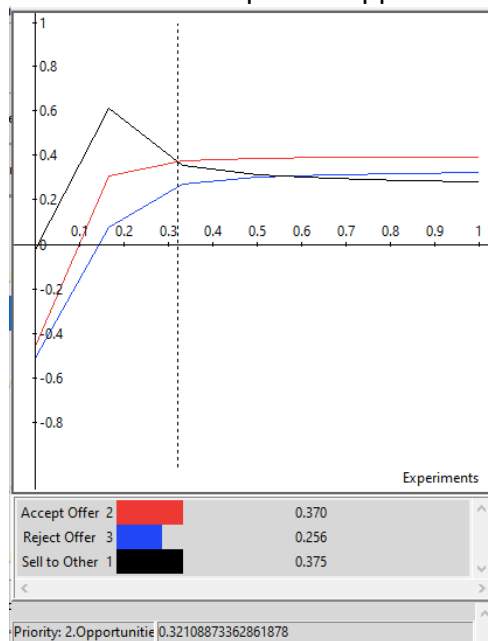
Name	Normals
Accept Offer	0.074813
Reject Offer	-0.221718
Sell to Other	0.703469

## Sensitivity Analysis

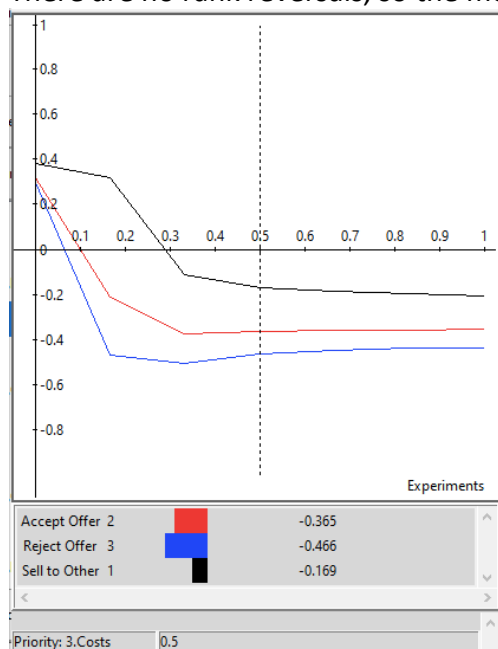
There is a rank reversal at around 0.33. This is far enough away from the priority of 0.25 for the model to be robust with respect to benefits.



There are rank reversals at around 0.32 and 0.56. The second is a switch between 2<sup>nd</sup> and 3<sup>rd</sup> but does not affect 1<sup>st</sup>, and these are far enough away from the priority of 0.25 for the model to be robust with respect to opportunities.



There are no rank reversals, so the model is robust with respect to costs.



There are rank reversals at around 0.02, 0.15, and 0.51. The second is a switch between 2<sup>nd</sup> and 3<sup>rd</sup> but does not affect 1<sup>st</sup>, and these are far enough away from the priority of 0.25 for the model to be robust with respect to risks.

